

Assembly Bill No. 343

Passed the Assembly July 15, 1999

Chief Clerk of the Assembly

Passed the Senate July 12, 1999

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 1999, at _____ o'clock ____M.

Private Secretary of the Governor

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CHAPTER _____

An act to amend Section 53635.7 of, and to add Sections 53601.2 and 53635.2 to, the Government Code, relating to local government finance.

LEGISLATIVE COUNSEL'S DIGEST

AB 343, Campbell. Local agency finance: commercial paper: investments and borrowing.

(1) Existing law sets forth the various types of investments in which a local agency may invest the money belonging to or in custody of the agency, including its surplus money. Purchases of commercial paper for these purposes may not exceed 15% of the agency's surplus money which may be invested. An additional 15%, or a total of 30% of the agency's money or money in its custody, may be invested in commercial paper. The additional 15% may be so invested only if the dollar-weighted average maturity, as defined, of the entire amount does not exceed 31 days.

This bill instead would authorize counties to make purchases of commercial paper for these purposes that may not exceed 40% of the county's surplus money that may be invested, without the requirement that the dollar-weighted average maturity of the entire amount not exceed 31 days. It would additionally specify that no more than 10% of the county's surplus money that may be invested may be invested in the outstanding paper of any single issuing corporation.

(2) Existing law requires the legislative body of a local agency to discuss, consider, and deliberate each decision that involves borrowing in the amount of \$100,000 or more as a separate item of business on the agenda of its meeting.

This bill would provide that for this purpose "borrowing" does not include bank overdrafts.



The people of the State of California do enact as follows:

SECTION 1. Section 53601.2 is added to the Government Code, to read:

53601.2. Notwithstanding subdivision (g) of Section 53601, the board of supervisors of a county may invest in commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody’s Investors Service, Inc., or Standard and Poor’s Corporation. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and have total assets in excess of five hundred million dollars (\$500,000,000) and an “A” or higher rating for the issuer’s debt, other than commercial paper, if any, as provided for by Moody’s Investors Service, Inc., or Standard and Poor’s Corporation. Purchases of eligible commercial paper may not exceed 180 days’ maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 40 percent of the agency’s surplus money that may be invested pursuant to this section. No more than 10 percent of the agency’s surplus money that may be invested pursuant to this section may be invested in the outstanding paper of any single issuing corporation.

SEC. 2. Section 53635.2 is added to the Government Code, to read:

53635.2. Notwithstanding subdivision (g) of Section 53635, the board of supervisors of a county may invest in commercial paper of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided for by Moody’s Investors Service, Inc., or Standard and Poor’s Corporation. Eligible paper is further limited to issuing corporations that are organized and operating within the United States and have total assets in excess of five hundred million dollars (\$500,000,000) and an “A” or higher rating for the issuer’s debt, other than commercial paper, if any, as provided for by Moody’s Investors Service, Inc., or Standard and Poor’s Corporation. Purchases of eligible commercial paper may

not exceed 180 days' maturity nor represent more than 10 percent of the outstanding paper of an issuing corporation. Purchases of commercial paper may not exceed 40 percent of the agency's surplus money that may be invested pursuant to this section. No more than 10 percent of the agency's surplus money that may be invested pursuant to this section may be invested in the outstanding paper of any single issuing corporation.

SEC 3. Section 53635.7 of the Government Code is amended to read:

53635.7. In making any decision that involves borrowing in the amount of one hundred thousand dollars (\$100,000) or more, the legislative body of the local agency shall discuss, consider, and deliberate each decision as a separate item of business on the agenda of its meeting as prescribed in Chapter 9 (commencing with Section 54950). As used in this section, "borrowing" does not include bank overdrafts.



Approved _____, 1999

Governor

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